

**Florida's Two-Way Trade with the CAFTA Region:
The Implications of Disruptions in Florida's
Established Logistics Chain**

June 1, 2004

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This document was prepared by Wilbur Smith Associates and J.D. Sanchez Consulting on behalf of the Florida Seaport Transportation and Economic Development Council in cooperation with the Caribbean Central America Action and the members of the Trade and Transport Council.

Presentation Highlights

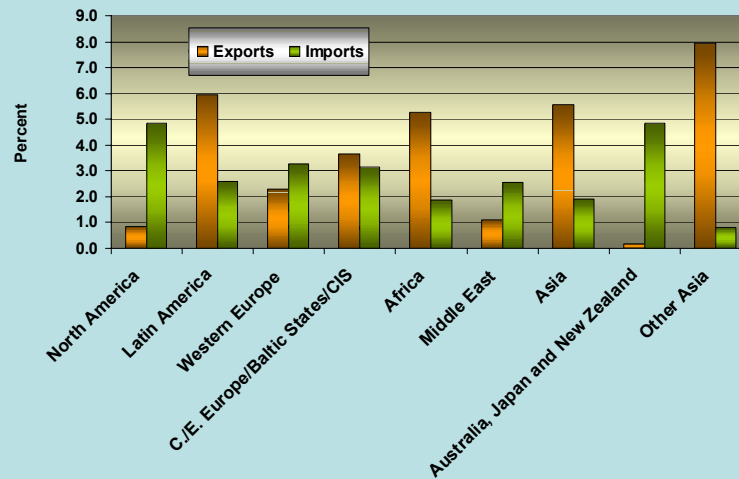
The Current Situation

- Central America and the Caribbean form the nation's "third border"
- Central America alone is Florida's second largest regional trading partner
- Central America with the addition of the Dominican Republic represents 25 percent of the Florida's global trade
- As such, the trading partnership between Florida and the CAFTA countries has significant economic, political, security, and environmental implications
- Disruptions are anticipated in the logistics chain established with its neighbors to the south as the January 1, 2005 lifting of quotas under World Trade Organization rules approaches

The Issues

- **The China factor**
 - China's growing role as "the world's factory" is creating global shortages in many commodities
 - Florida is feeling the effect of these shortages in construction materials such as cement and steel
 - With the imminent lifting of quotas on a variety of products under World Trade Organization rules, particularly textiles and apparel, Florida and its trading partners in the Caribbean Basin are already feeling the shock of disruptions in these global markets
- **The timely passage of CAFTA**

Clothing Share of Global Merchandise Trade by Region, 2002



The Challenge of 2005

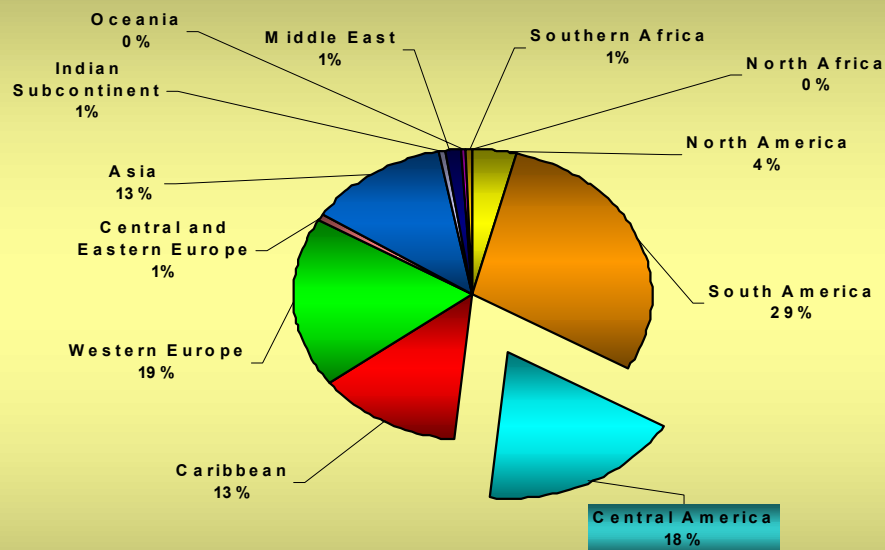
- Global textile/apparel trade in 2002 = US \$353 billion
- Of this, apparel alone = US \$201 billion
- In 2003, Latin America had a 10 percent share of the apparel market; the CAFTA countries had a major share of this percentage
- The CAFTA countries' economies are extremely dependent on their apparel industry exports
- The quota system has shaped the global industry
- This will change on January 1, 2005 when quotas are lifted

What Happens on January 1, 2005?

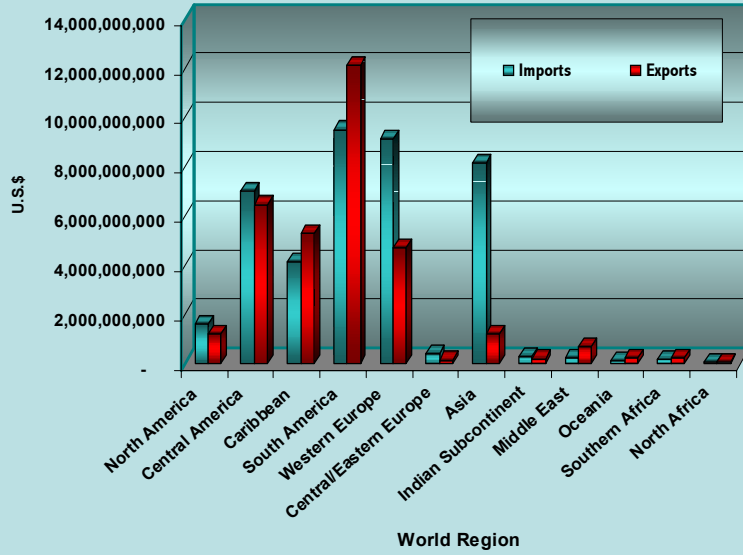
- Textiles and clothing will be integrated into the normal World Trade Organization rules
- 30 years of quota restrictions will come to an end
- Certain competitive advantages will disappear
- Existing trade patterns will realign themselves
- Market shares once subject to quotas will be at risk
- Yet tariff differences will remain: no free trade in the CBI textile and apparel industry

THIS IS WHERE CAFTA COMES IN!

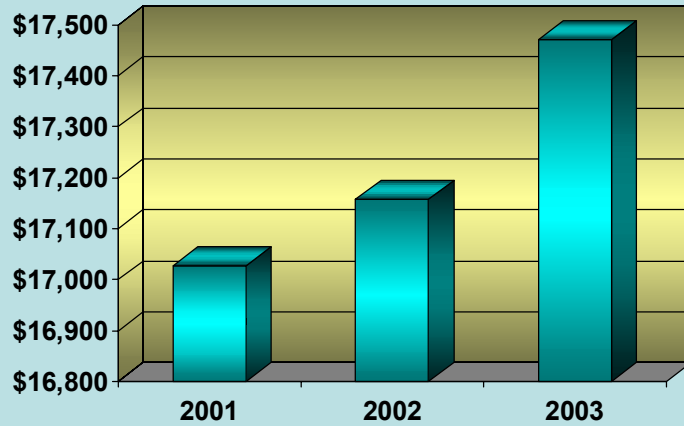
Florida's Trade with Global Regions 2003

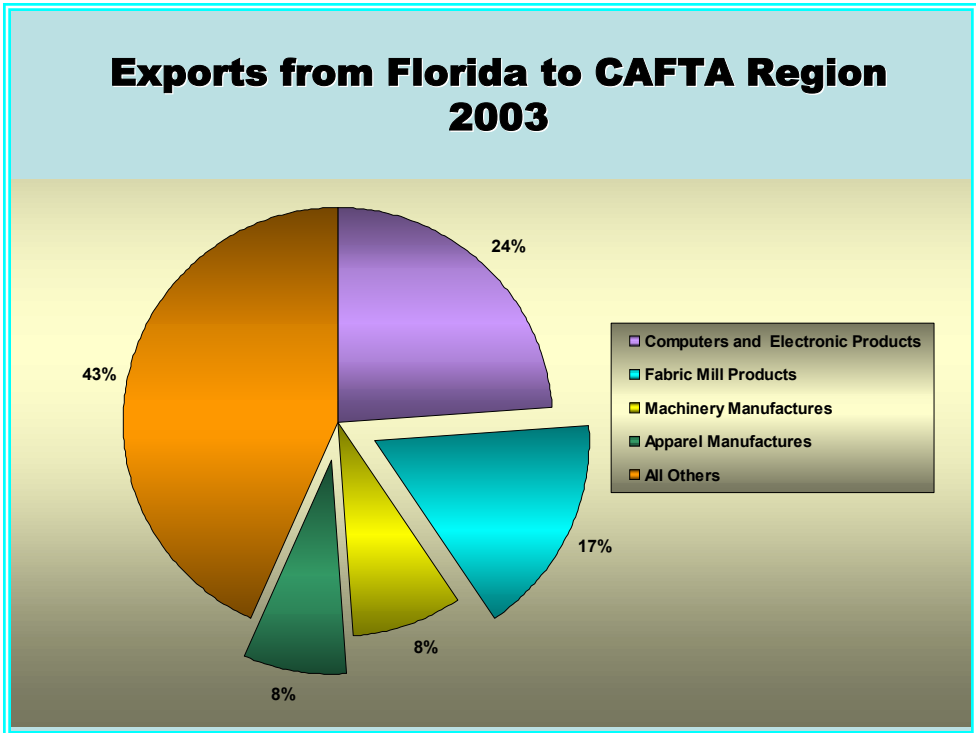
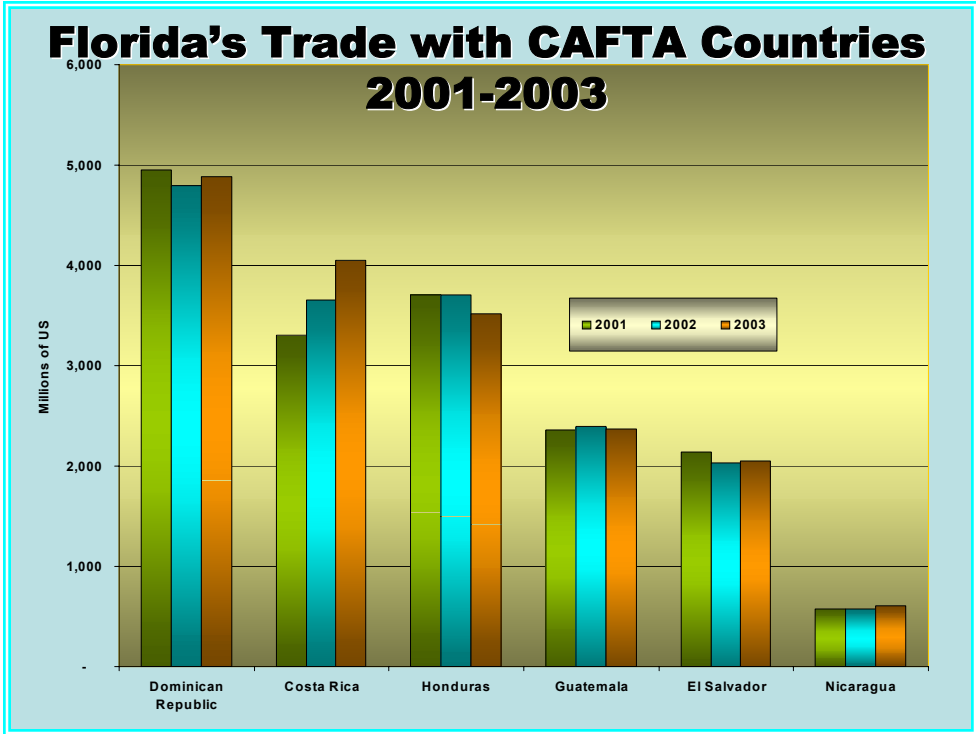


Florida's Import and Export Trade by Global Region 2003



Florida's Trade with CAFTA Region 2001-2003 (in Millions of US \$)

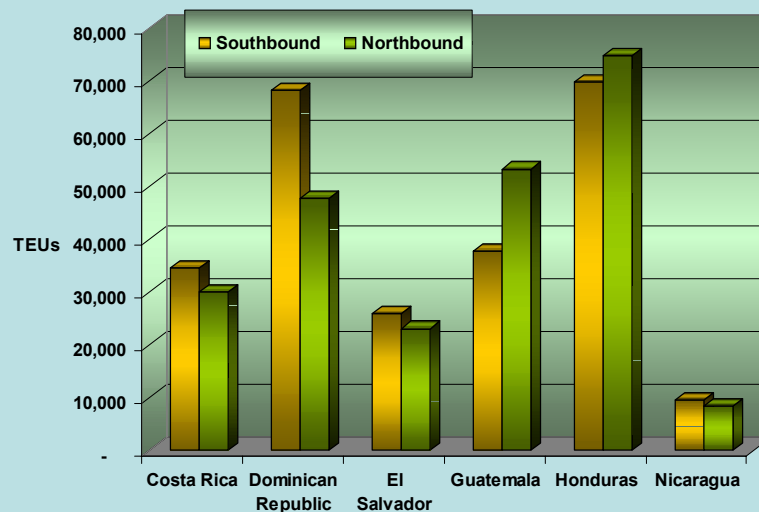




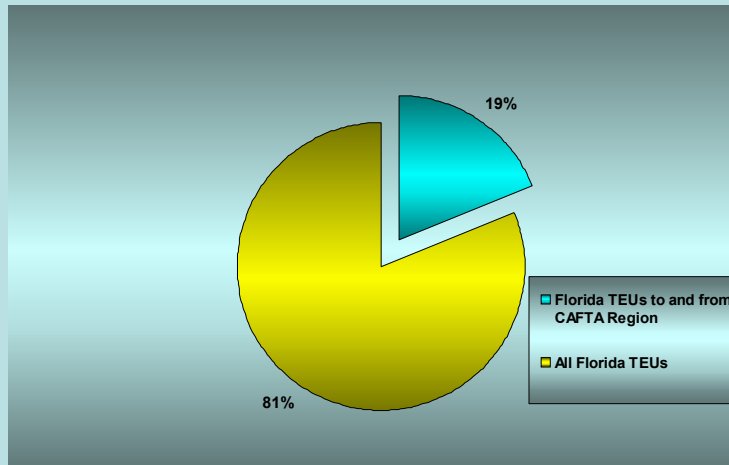
The Logistics Chain

- From road and rail to sea and back, Florida's transportation infrastructure is oriented towards the CAFTA markets
- Florida-based ocean carriers provide weekly and twice weekly service to these markets
- These carriers are major users of Florida seaports, helping generate the well-paying jobs attributable to the state's international trade
- Container moves between Florida and the Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua represent almost 20 percent of the total container moves across Florida seaport docks and 25 percent of those at the South Florida seaports

2003 TEU Movements between Florida and the CAFTA Region



CAFTA Region Share of 2003 Florida TEU Movements



Potential Economic Impacts of Logistics Disruptions

- Of the 290,000 jobs attributable to the maritime industry in Florida, approximately 32,000 are directly attributable to the transport of international waterborne cargo
- The combined direct, indirect, and induced employment related to Florida's textile and apparel trade with CAFTA totals between 3,000 and 8,700 jobs
- The wages and salaries earned by these jobs range from \$105 million to \$315 million
- More than 49,000 direct, indirect, and induced jobs related to textile and apparel manufacturing in Florida are at risk from the impending quota changes
- The CAFTA countries will experience even more substantial job losses
- Textiles and apparel represent from 50 to 75 percent of the goods transported by Florida's regional ocean carriers

The Ripple Effect of Logistic Chain Disruptions

- Textile and apparel are but one part of the hemispheric economic framework
- The bigger threat is the ripple effect that will harm the region's economic development and ability to continue purchasing the array of goods flowing through Florida's gateways
- Significant investment in Central America's assembly factories has created regionwide stimuli for other economic development and political stability
- The objective is an environment that allows the local population to find decent jobs at home

Florida's Advocacy Role

- The passage of CAFTA is a Washington issue
- The current administration supports free trade
- Congress historically is reluctant to embrace the concept
- A strong voice for the nation's "third border" in the Caribbean Basin is needed to place the issues in their true hemispheric economic framework
- The overriding question for Florida is its role in the advocacy of FTAA, CAFTA, and the other hemispheric issues that are increasingly important to the welfare of the region, Florida itself, and the U.S.

The Current Situation

For many years, Florida has held the dominant share of U.S. merchandise trade value with Central America (55 percent) and the Caribbean (44 percent). Caribbean Basin countries such as the Dominican Republic, Honduras, Costa Rica, and Guatemala have ranked among the state's top trading partners. Along with El Salvador and Nicaragua, these countries – which account for 25 percent of Florida's global trade, or \$18 billion -- are part of the proposed Central America Free Trade Agreement (CAFTA). As such, the trading partnership between Florida and the CAFTA countries has economic, political, security, and environmental implications.

Florida, with its well-developed trade and transportation infrastructure and its geographic, cultural, and economic ties to its neighbors in the Caribbean Basin, has derived economic and political benefits from the two-way trade conducted with the counties in this region. Given the role the state has played over the last two decades in helping its neighbors develop their economies through the benefits of two-way trade, Florida and its private sector community involved in this trade have a role to play in helping the region maintain its current flows of commerce. Florida – like the rest of the nation – will undoubtedly be affected over the long-term by ongoing structural changes in global trade, changes brought about by the lifting of quotas on a variety of products under World Trade Organization rules. The question is, What can Florida and its trade sector do to alleviate the anticipated disruptions to the logistics chain established between the state and its neighbors to the south?

The purpose of this paper is to create widespread awareness of why Florida -- in coordination with its trading partners in the Caribbean Basin -- must be a strong advocate for the passage of CAFTA to preserve the competitive advantages the region has enjoyed under the Caribbean Basin Initiative (CBI).

The Issues

The China Factor. China's march towards industrialization and its growing role as "the world's factory" is creating global shortages in many commodities. Florida, for one, is feeling the effect of these shortages in construction materials such as steel and cement. And as China also lays claim to the title of "the world's largest producer and exporter of textiles and apparel," supplying 18 or more percent of worldwide total apparel, including standard-, medium-quality, and high-quality goods, Florida and its trading partners in the Caribbean Basin are already feeling the shock of disruptions in these global markets.

In 2003, China became the U.S.'s second-largest source of imports behind Canada. China sent \$152.4 billion in goods to the U.S., a \$27.2 billion increase over 2002. The major product lines included computers and accessories, apparel, toys, games, sporting goods and furniture.

With China's supply of cheap, plentiful labor and raw materials, the country has been the top global producer and exporter of apparel for several years. Once the lingering quotas on textile imports from China are removed, the U.S. International Trade Commission (USITC) predicts that China will become the "supplier of

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choice” for the large apparel companies and retailers because of its ability to make almost any type of textile and apparel product at any quality level at a competitive price. China’s ability to produce fabrics, finishings, packaging, and most components of apparel and other textile articles is considered a primary advantage of sourcing from China. As a 2003 USITC report states:

“U.S. firms increasingly work directly with manufacturers in China rather than through buying agents, as was the common practice. Industry sources described much of the Chinese industry as very business savvy and capable of meeting the needs of Western buyers.”¹

According to the USITC, the extent to which China continues to expand its industry penetration following quota elimination in 2005 could be tempered by the use of the textile-specific safeguard provisions contained in the documents governing China’s entering the World Trade Organization. Asian alternatives to China, include India, which also has a large manufacturing base to produce a wide range of textiles and apparel at competitive prices and a large supply of relatively low-cost skilled labor, and other low-cost exporting countries such as Bangladesh and Pakistan. Regardless of which Asian country produces these goods, Florida’s established logistics chain with Central America will still be affected.

The Timely Passage of CAFTA. The passage of CAFTA will eliminate current tariffs on textile and clothing commodities and help the region retain its share of these industries on which it is so dependent. The bill has just been signed by Central American trade ministers and the U.S. trade representative, and an agreement with the Dominican Republic is to be signed in late June. Passage by Congress is, however, expected to be deferred until after the elections in November 2004.

With the lifting of quotas scheduled for January 1, 2005, the timeliness of CAFTA passage is an important consideration for Florida and its trading partners in the Caribbean Basin. The sooner CAFTA’s trade preferences are passed, the fewer disruptions to Florida’s hemispheric logistics chain.

CAFTA is intended to help the region cope with the downward spiral in many industries resulting from China’s increasing industrialization and its dominance in the textile and apparel industries that have become a sustaining force in the economies of the six countries. Textiles and apparel are among the top import and export commodities transported between Florida and these countries. In 2003, these commodities represented about 14 percent of the state’s international trade (19 percent of imports and 9 percent of exports) in terms of dollar value.²

Those whose businesses and livelihoods are based on the flow of goods between Florida and its trading partners in Central America and the Caribbean are deeply concerned about impending changes in the global quota system that could harm not only Florida’s economy, particularly the jobs created in the trade and transportation sectors, but also the economies of these trading partners. Potential disruptions in the textile and apparel industries provide a telling example of the potential harm. This is how the disruptions could play out:

¹U.S. International Trade Commission, Textiles and Apparel: Assessment of the Competitiveness of Certain Foreign Suppliers to the U.S. Market, June 30, 2003.

² Enterprise Florida data.

- On January 1, 2005, under long-planned World Trade Organization rules, global quotas on textiles and apparel will disappear.
 - With their disappearance, the competitive advantage enjoyed by these industries in Central America under the Caribbean Basin Initiative (CBI) program, will also disappear.
 - Low-cost producers in China and other Asian countries will capture an even larger share of the apparel industries than they currently have, consolidating their already dominant positions in these industries.
- Regional ocean carriers, sea and air gateways, trucking companies, freight forwarders and brokers, warehouse and distribution centers – all could experience dramatic changes in their businesses brought about by a lessening of the two-way trade with Caribbean Basin countries.
- Given Florida's predominance in U.S. trade with Central America and the Dominican Republic, and the large share of that two-way trade represented by textiles and apparel and the ancillary industries associated with them, the state will see a substantial decline in commodity imports and exports with those countries.
 - Thousands of jobs in the merchandise trade, maritime and related industries could be severely affected in Florida. Ocean carriers, sea and air gateways, trucking companies, freight forwarders and brokers, warehouse and distribution centers – all could experience dramatic changes in their businesses brought about by a lessening of the two-way trade with Caribbean Basin countries.

Because the economies of most Central American countries are tied to the apparel industry, these economies will be stressed and the countries' ability to purchase exports from the U.S. will be diminished, further affecting Florida's economy.

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- In addition, the imposition of stringent security measures starting July 1, 2004, will further impact flow of goods between Florida and its trading partners to the south.

While it is too early to quantify precisely the impact of these disruptions, it is not too early to sound the alarm on behalf of Florida's stakeholders in the two-way logistics chain that has been such a major contributor to the state's international trade.

Florida's Unique Logistics Chain

Florida lies at the crossroads of international commerce, trading with more than 200 global partners. In the state's distinctive role as the Gateway to Latin America, however, two-way trade, transportation, and jobs come together, strengthening our economy and the developing economies of our trading partners to our mutual benefit.

In its dominance of U.S. trade with the Caribbean Basin countries, Florida thus serves as the nation's "third border," carrying goods between markets throughout the U.S. and the rest of the world over the state's "Atlantic Commerce Corridor," the high-priority, intermodal transportation system between Jacksonville and South Florida along the I-95 spine.

The trade and tourism relationships Florida has developed with its neighbors in the Caribbean Basin are helping improve their economic well being and stability. As the economies of these countries strengthen, they are more able to invest in their own infrastructure, create the jobs that will keep their citizens gainfully employed at home, and purchase goods from the U.S. and other countries. This, in turn, given Florida's unique role in transporting goods between markets to the north and the south, helps create jobs in this state.

From road and rail to sea and back, Florida's transportation infrastructure is oriented towards serving the CAFTA markets. The logistics chain that moves goods to and from these markets encompasses diverse stakeholders. Those involved in the two-way trade between Florida and the CAFTA countries include:

- Ocean carriers.
- Sea and air gateways.
- Independent trucking firms
- Railroads.
- Freight forwarders.
- Warehouse/distribution centers.
- Manufacturers.

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Ocean Carriers. At the heart of the logistics chain are several regional ocean carriers such as Seaboard Marine, Crowley, Tropical, and Antillean Marine as well as others such as Maersk, APL, Great White, and a dozen more. A significant share of the regional carriers' business lies on the north-south trade routes between Florida's ports and those in the Caribbean Basin.

Florida-based ocean carriers provide weekly and twice weekly service to these markets. These carriers are major users of Florida seaports, helping generate the well-paying jobs attributable to the state's international trade. Container moves between Florida and the Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua represent almost 20 percent of the total container moves across Florida seaport docks and 25 percent of those at the South Florida seaports. According to several carriers, the apparel in these containers represents from 50 to 75 percent of their shipments.

Seaboard and Crowley, for example, which serve all six CAFTA countries, together account for approximately 55 to 70 percent of the TEUs (20-foot equivalent container units) moving southward from Florida to the CAFTA countries, with the exception of the Dominican Republic, which is also served heavily by Tropical Shipping, Antillean Marine, and others. On the northward moves, together the two carriers account for approximately 40 to 77 percent of the TEUs moving between the CAFTA countries and Florida. Depending on the itinerary, the trip between the Florida ports and the Central American ports takes from three to six days.

Table 1 shows the top commodities that move southward from Florida to the CAFTA countries in 2003. While textiles and apparel are important to each of these countries to differing degrees, other commodities such as computers and electronic products, machinery, and transportation equipment are also part of the commodity flow between Florida and the region. Conceivably the ripple effect of stressing the regions' textile and apparel industries will affect the flow of these other goods as well and, certainly the economics of the respective ocean carriers' businesses.

Sea and Air Gateways. While the flow of textile and apparel commodities primarily engages the three deepwater seaports in South Florida – the Port of Miami, Port Everglades, and the Port of Palm Beach – as well as the Miami River, other Florida ports carry other commodities to and from Central America. On the Atlantic Coast, the Port of Jacksonville carries some commodities to and from the Dominican Republic. On the Gulf Coast, the Port of Tampa has four direct services to and from Costa Rica, Honduras, and Guatemala as well as feeder container service. Port Manatee receives regular shipments of fruits and vegetables from Costa Rica and is initiating service from Guatemala.

Statewide, Miami International Airport is the predominant international cargo airport. While the majority of MIA's international import cargo comprises perishable products including flowers, fruits, vegetables, seafood, and its export cargo comprises computers and peripherals, machinery, medical equipment, telecommunications equipment, agricultural machinery, and aircraft parts, some apparel articles are exported by air and some assembled clothing is imported.

Trucking and Railroads. The textile and apparel logistics chain includes shipments to and from the state by road and rail, often with an intermediate stop at the warehouse of a freight forwarder or at a distribution center. A significant portion of the textile and apparel commodities carried to and from Florida is carried across the state's transportation network, rather than remaining in the state. The means of conveyance are estimated at 40 percent by rail and 60 percent by road. In the simplest terms, fabric, perhaps already pre-cut for assembly, moves southward; finished apparel moves northward. Trimmings and finishings, garment hangers and packaging, and other ancillary items also move back and forth in this trade.

Country	Apparel Share of Exports from Florida	Ranking of Top Exports from Florida
Costa Rica	3%	Computers and electronic products = 47%
Dominican Republic	43%	Fabric mill products and apparel manufactures ranked first and second, followed by computers and electronic products at 12 %
El Salvador	19%	Computers and electronic products = 22%; transportation equipment 14.9%; fabric mill products 15%
Guatemala	23%	Computers and electronic products = 23%; fabric mill products 17%
Honduras	24%	Computers and electronic products = 17%; fabric mill products 15%; machinery manufactures = 11%; apparel manufactures = 9%
Nicaragua	12%	Computers and electronic products = 30%; machinery manufactures = 11%; apparel manufactures = 9%

Source: Office of Trade and Economic Analysis (OTEA), Trade Development, International Trade Administration, U.S. Department of Commerce.

Freight Forwarders, Warehouse/Distribution Centers, Manufacturers. Literally hundreds of businesses both large and small are involved in handling the commodities that move between Florida and other nations. While Florida has lost some of its garment manufacturing jobs, it still has retained a large piece of the industry, as other jobs have grown up around the servicing and transporting of the commodities carried in this trade.

Potential Florida Economic Impacts of Changes in Trade Flows to and from the CAFTA Region

How will the lifting of quotas and the delay in passing CAFTA affect Florida? How will the lifting of quotas and the passage of CAFTA affect Florida? While no one can say for sure what percentage of commodities will cease flowing through Florida in either situation, and what the precise loss of this trade means in terms of jobs and economic impact, it is possible to postulate several impacts based on current trends and the experiences of those involved daily in the trade.

There are several ways to approach the employment and economic impact picture. The following conservative assessment considers potential ocean-transport related impacts and textile and apparel manufacturing impacts.

- Direct Ocean Transport-Related Jobs – A recent detailed economic impact analysis of Florida's international trade flows prepared by the Washington Economic Group determined that the international movement of goods across Florida's borders, the export of Florida-manufactured goods, and the multi-day cruises made possible by Florida's ports supported approximately 290,000 jobs in Florida. Of these, the analysis estimated that 32,000 jobs are directly attributable to the transport of international waterborne cargo through the state's deepwater seaports.³ This employment includes on- and off-port jobs such as stevedores, brokers and shipping agents, cargo-handlers, truckers, and other related positions.
- Florida-CAFTA Tonnage – In 2003, these ocean transport-related jobs handled 62.3 million tons of imported and exported cargo, of which an estimated 5.6 percent (3.5 million tons) was traded with the CAFTA countries.⁴ Textile and apparel imports and exports between Florida and the CAFTA countries represented at least half (1.8 million tons) of the regional trade. Conservatively speaking, these 1.8 million tons of imported and exported apparel and textile commodities between Florida and CAFTA represented about 2.9 percent of the state's total international tonnage.
- Florida-CAFTA Containers – In terms of container movements, more than 2.5 million containers moved through Florida's ports in 2003, of which 482,800 TEUs (18.8 percent) originated from or terminated in CAFTA countries. As noted above, industry stakeholders suggest that at least half of these containers carry textiles and apparel. This further suggests that the Florida-CAFTA textile and apparel flows represented approximately 241,400 containers or at least 9.4 percent of the total.

³ A Forecast of Florida's International Trade Flows and the Economic Impact of Florida Seaports, The Washington Economics Group, Inc., October 2003.

⁴ Executive Summary: A Five-Year Plan to Achieve the Mission of Florida's Seaports, 2003/2004-2007/2008, Florida Seaport Transportation and Economic Development Council, April 2004.

- Florida Transport Jobs Related to the CAFTA Textile and Apparel Trade – Direct ocean transport-related jobs that handle the textile and apparel trade between Florida and CAFTA countries are estimated to represent between 3.1 percent and 9.1 percent of the total 32,000 jobs attributable to the transport of international waterborne cargo through the state's deepwater seaports. This means that from 1,000 to 2,900 transport jobs in Florida are directly related to what happens with CAFTA and current textile and apparel tariffs under the CBI.
- Total Florida Jobs – In addition to the direct jobs attributable to the transport of international waterborne cargo through the state's deepwater seaports, the multiplier impacts associated with the indirect and induced effects of these jobs affect many other jobs in Florida. The indirect impacts reflect the inter-industry linkages of firms that support the ocean transport-related firms and operations. The induced impacts measure the re-spending impacts by those employed in the direct and indirect industries.

Detailed analysis indicates that the aggregate job multiplier (including the indirect and induced effects) for water-cargo transport in Florida approximates 3.0. This then indicates that the combined direct, indirect and induced employment related to Florida's textile and apparel trade with CAFTA totals between 3,000 and 8,700 jobs.

- Labor Income – The wages and salaries earned by these 3,000 to 8,700 jobs range from \$105.0 million to \$315.0 million. This includes the direct, indirect, and induced components.
- Gross Output – The gross output associated with the Florida-CAFTA textile and apparel trade ranges from \$146.7 million to \$440.0 million, inclusive of the direct, indirect and induced components.
- Discontinuation of Quotas in the Textile and Apparel Trade – How will the lifting of quotas affect Florida's transport sector without CAFTA? Many factors will affect the new trade paradigm in the absence of the proposed CAFTA legislation. Review of literature suggests that as much as half of the textile and apparel industries from CAFTA countries would be diverted to China or other low-wage countries. This, despite the fact that much of the CAFTA apparel imports are made with U.S. textiles. So, transport jobs at risk include both export and imports.

On the import side, a share of Chinese apparel imports will still arrive via the Florida ports. Much of these apparel imports will be lost to Florida, however, because either their ultimate destination is out-of-state; the most direct access for China imports is the West Coast; or the new larger Post-Panamax cargo ships favored for long-distance transport cannot pass through the Panama Canal.

Another trend that will affect trade from the CAFTA countries through Florida is the current shift of some shipping to out-of-state Gulf ports such as Gulfport, Mississippi, and Houston, Texas. The reason behind this shift is potential cost savings for already razor-thin margins by using ports that are closer to the markets in the U.S. Midwest.

- Florida Textile/Apparel Manufacturing: As of September 2003, 437,100 people were employed in the U.S. textile industry, of which an estimated 16,450 were employed in Florida.

- The indirect and induced jobs associated with textile/apparel manufacturing totals an additional 32,900 people. Combined, a total of 49,350 jobs are “at-risk” in Florida from the impending change in import quotas.
- The U.S. textile/apparel industry has lost 168,000 jobs since December 2000 and 217,700 since December 1996.

INSIDE THE FACTORY: A CASE STUDY

Edited from an article in the **Sun-Sentinel (Fort Lauderdale)**

November 24, 2002

By Doreen Hemlock, Business Writer

SANTIAGO DE LOS CABALLEROS, Dominican Republic -- At midday, Interamericana Products International's massive clothing factories hum with activity. On vast floors the size of several football fields, to the sounds of merengue and bachata music, computerized machines cut fabric that rows of workers stitch into trousers. Giant washing machines put finishes on blue jeans, while tractors dart in and out, hauling completed goods off to warehouses to be sorted for shipping overseas. With employees often in their 20s chatting in the cafeteria and in corridors during breaks, it feels like a community college campus. Big yellow school buses emblazoned with the Interamericana name even ferry employees back and forth to town.

This is the heart of apparel country in the Dominican Republic, a major source of the Levi's, Nike, Tommy Hilfiger, Liz Claiborne and other brand-name garments that Americans buy in retail stores from Bloomingdale's to Wal-Mart. Thanks partly to apparel, this Caribbean nation posted some of the world's highest economic growth rates in the 1990s. Garment trade transformed the Dominican Republic into the No. 2 trade partner for South Florida, with more than \$2 billion in apparel-related shipments yearly. But the bustling industry that directly employs more than 140,000 Dominicans faces an imminent threat. When quotas are lifted on most of the world's apparel trade in 2005, garments from China and other lower-wage Asian countries are expected to flood the U.S. market, displacing clothes made in the Dominican Republic and other Caribbean Basin nations.

The United States underwent a similar wrenching dislocation, when its garment production moved offshore starting in the 1970s. But the Dominican Republic, still a poor nation with incomes averaging roughly \$2,400 a year, has far fewer resources to confront the challenge. While U.S. garment makers could get low-cost loans to re-engineer, Dominican producers often pay interest rates topping 20 percent. And displaced workers here face 15 percent unemployment -- even in good times. Competition also is stiffer now, as more nations vie for orders and e-mails zip garment patterns faster worldwide. Large Dominican producers like Interamericana, with 8,500 employees, are busy now adopting new strategies to compete: offering higher-value services and even moving some production to lower-wage Haiti. But smaller producers without the money to upgrade already are seeing sales wither, with more than 10,000 Dominican apparel jobs lost since 2000.

[Between 1993 and 2000] the Caribbean Basin overall, including the island nations and Central America, came to supply roughly 20 percent of U.S. clothing imports, with apparel one of the region's top employers. But ... without quotas, the Caribbean Basin could see its U.S. market share in apparel drop by as much as half later this decade, apparel experts warn. U.S. duty breaks alone -- mainly on garments made from U.S. cloth -- won't be enough to offset Asia's advantages in both lower wages and less expensive Asian-made cloth. Apparel trade through South Florida could plummet as well. "Florida should be our biggest ally, said one of the Dominican Republic's entrepreneurs...."

- In addition to the loss of U.S. jobs, the CAFTA countries will experience a substantial loss of jobs due to the retrenchment of the apparel industry.
- The ongoing redistribution of textile and apparel jobs from the U.S. to other countries, especially China, will continue, even if CAFTA is passed in the short-term. This redistribution will be expedited if the regional trade advantages that will occur under CAFTA are not adopted. The case study above vividly illustrates the impact of the redistribution on businesses in the Caribbean Basin.

The Ripple Effect of Disrupting Florida's Established Logistical Chain

The analysis of potential job losses and economic impacts in the regional textile and apparel sector from the disruptions in the logistics chain between Florida and the CAFTA countries captures just one part of the hemispheric economic framework. The even larger threat to that framework is the ripple effect that will harm the region's economic development trends and its ability to continue purchasing the goods that flow through Florida's gateways. These goods include computers and electronic products, vehicles and transportation equipment, machinery, and other consumer items.

While it is likely that the trade in agricultural products between Florida and the Central American nations will continue, the strongest potential for economic development in these countries lies not in melons, bananas, and other fruits and vegetables, but in the development of the industrial base that creates better paying jobs and investment opportunities both in those countries and in Florida and increases regional purchasing power.

Under the CBI, implemented in three parts since 1983, investment in the textile and apparel sector in Central America has created "maquilas" or assembly factories which serve as regionwide stimuli for other economic development and resulting political stability. Significant investment in these plants is creating a middle class with the purchasing power that goes with it. The objective is better schools, a better-educated population, technical training, and the ability to build and staff high-tech plants that produce other goods and allow the local population to find decent jobs at home. This objective is at risk unless Florida and its private sector trading community can help expedite the passage of CAFTA in a timely manner through strong advocacy for the trade accords that will preserve Florida's logistical chain and role at the center of hemispheric commerce.

The passage of CAFTA is a Washington issue. While the current administration supports free trade, the Congress has historically been reluctant to embrace the concept. During the short time that this paper was researched and put together, it became apparent that a strong voice for the nation's "third border" in the Caribbean Basin is needed to overcome this reluctance and place the issues in their true hemispheric economic framework. The overriding question for Florida, then, is its role in the advocacy of FTAA, CAFTA, and the other hemispheric issues that are increasingly important for the economic welfare of the region, Florida itself, and the U.S.